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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

MARC SPITZER, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON  
KRISTIN K. MAYES

In the matter of	)	
STEVEN C. BOND and CARI A. BOND,	)	DOCKET NO. S-03544A-03-0000
husband and wife,	)	DECISION NO. <u>66933</u>
2559 East Vaughn Court	)	
Gilbert, Arizona 85234	)	<b>ORDER TO CEASE AND DESIST,</b>
	)	<b>ORDER OF RESTITUTION, ORDER</b>
B.B. FINANCIAL BENEFITS GROUP, INC.	)	<b>FOR ADMINISTRATIVE PENALTIES</b>
2559 East Vaughn Court	)	<b>AND CONSENT TO SAME</b>
Gilbert, Arizona 85234	)	<b>BY: STEVEN C. BOND, CARI A. BOND,</b>
	)	<b>AND B.B. FINANCIAL BENEFITS</b>
	)	<b>GROUP, INC.</b>
Respondents.	)	
_____		)

RESPONDENTS STEVEN C. BOND (“BOND”), CARI A. BOND (“MRS. BOND”), and B.B. FINANCIAL BENEFITS GROUP, INC. (“B.B.”) (collectiv ely “RESPONDENTS”) elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* (“Securities Act”) with respect to this Order To Cease And Desist, Order of Restitution, Order for Administrative Penalties and Consent to Same by: Steven C. Bond, Cari A. Bond, and B.B. Financial Benefits Group, Inc. (“Order”). RESPONDENTS admit the jurisdiction of the Arizona Corporation Commission (“Commission”); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission.

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**I.****FINDINGS OF FACT****Respondents**

1. Respondent BOND at all times material hereto was a resident of Arizona. At all times material hereto, BOND was licensed to sell insurance in the state of Arizona, but was not registered as a securities salesperson or an investment advisor representative in Arizona.

2. At all times material hereto, Respondent B.B. has been an Arizona corporation in good standing. Respondent BOND is the sole officer, director, and shareholder of B.B.

3. At all times material hereto, Respondent BOND was married to CARI A. BOND. All acts done by BOND were done in furtherance of and for the benefit of the marital community of BOND and CARI A. BOND. MRS. BOND therefore was joined in this action, pursuant to A.R.S. § 44-2031(C), to establish the liability of the marital community for the violations alleged herein.

**Alpha Telcom, Inc.**

3. At all times material hereto, Alpha Telcom, Inc. ("Alpha") was an Oregon corporation located at 2751 Highland Avenue, Grants Pass, Oregon 97526.

4. At all times material hereto, American Telecommunications Company, Inc. ("ATC") was a Nevada corporation formed as a wholly owned subsidiary of Alpha on or about September 17, 1998. Originally named ATC, Inc., the name was changed to American Telecommunications Company, Inc., sometime in the first half of 2000. Its address was the same as Alpha's, but was later changed to 620 S.W. 4<sup>th</sup> Street, Grants Pass, Oregon 97526, then to 2900 Vine Street, Suite J, Grants Pass, Oregon 97526, and then to 942 S.W. 6<sup>th</sup> Street, Suite G, Grants Pass, Oregon 97526.

5. At all times material hereto, Paul S. Rubera ("Rubera") was the president and control person of Alpha, and the control person of ATC.

6. Rubera organized ATC and operated ATC in conjunction with and as an alter ego of Alpha. The two companies were controlled by Rubera, and there was in reality no real difference

1 between the two companies.

2 7. ATC was presented to the public as the sales organization for Alpha. BOND,  
3 directly or indirectly, entered into agreements with Alpha and/or ATC pursuant to which BOND  
4 sold investment contracts involving Alpha pay telephones (the "Alpha investment contracts")  
5 within or from the state of Arizona.

6 8. At the time he entered into agreements to sell the Alpha investment contracts, Alpha  
7 and/or ATC, and/or their affiliates or associates, advised BOND that the investments in question  
8 were not required to be registered as securities under Arizona law, and presented him with copies  
9 of attorney opinion letters advising that the investments were not securities.

10 9. At all times material hereto, Alpha sold pay telephones with telephone service  
11 agreements pursuant to which the investor would share in the profits of the pay telephone. The  
12 telephones were presented to potential investors with four options in the way of service contracts,  
13 each varying in the amount of service provided. The four options varied from Level 1, which  
14 included a minimum of service, to Level 4, which provided full service to the purchaser, including  
15 choosing a site and installing the telephone, collecting all revenue from the telephone's operation,  
16 repairing the telephone when necessary, and even repurchasing or buying back the telephone at the  
17 investor's option. Under Level 4, Alpha would split the net proceeds with the investor on a 70/30  
18 basis, with Alpha retaining 70% and the investor receiving 30%. The price of the pay telephones  
19 was the same regardless of the service option chosen, \$5,000.00 per telephone. BOND sold only  
20 investment contracts under Level 4. A "typical return" on each pay telephone was touted as 14%  
21 per year. In practice, all purchasers received \$58.34 per month per pay telephone purchased, which  
22 amounted to exactly 14% per annum.

23 10. BOND told prospective investors that their investments were insured, which was  
24 based on a good faith belief. The insurer named varied. Mentioned most often was the Northern  
25 and Western Insurance Company of Grand Turk, Turks and Caicos Islands, British West Indies  
26 ("N&W"). Also mentioned were Lloyd's of London and four other insurance companies listed as

1 re-insurers. N&W was a captive insurance company wholly owned by Paul S. Rubera, the  
2 President and control person of Alpha, and Robert S. Harrison of Richmond, Texas. N&W is not  
3 authorized to write insurance in Arizona. On information and belief, N&W was not authorized to  
4 write insurance in any state in which the Alpha pay telephones were located. In a letter dated  
5 August 15, 2001, Harrison stated: "There is not now, nor was there ever any insurance coverage  
6 for Alpha Telcom, Inc."

7 11. BOND presented Alpha to prospective customers as a "turn-key" operation.

8 12. BOND was paid commissions of 17% per telephone sold.

9 13. Pursuant to this commission schedule, BOND sold Alpha investment contracts to at  
10 least 20 individuals or entities within or from the state of Arizona from October, 2000 through May,  
11 2001, for a total purchase amount of \$965,000.00, and earned commissions in the amount of  
12 \$164,050.00.

13 14. Alpha has a long regulatory history in which state securities regulators have found that  
14 these purchases of pay telephones and accompanying service contracts were unregistered securities in  
15 the form of investment contracts that were sold by unregistered persons and/or entities, and ordered  
16 Alpha and those working with it to cease and desist. Other jurisdictions, however, had concluded that  
17 the Alpha investment contracts or similar investments were not securities. The majority of Arizona  
18 investors, and possibly all Arizona investors, were not aware of any of these orders. The orders  
19 against Alpha that could have been disclosed to investors include:

20 a. February 2, 1999, Cease and Desist Order issued by Pennsylvania Securities  
21 Commission in *In the Matter of Alpha Telcom, Inc., et al.*, No. 9812-06.

22 b. November 17, 1999, Cease and Desist Order issued by North Carolina  
23 Secretary of State in *In the Matter of the North Carolina Securities Division*  
*v. ATC, Inc., Paul Rubera, et al.*, No. 99-038-CC.

24 c. June 30, 1999, Temporary Order of Prohibition issued by Illinois Secretary  
25 of State in *In the Matter of Alpha Telcom, Inc.*, No. 9900201.

26 d. January 14, 2000, Consent Order of Prohibition issued by Illinois Secretary  
of State in *In the Matter of Alpha Telcom, Inc.*, No. 9900201, Alpha agreeing  
to offer rescission to all Illinois purchasers.

- e. November 24, 1999, Cease and Desist Order issued by Wisconsin Department of Financial Institutions in *In the Matter of Alpha Telcom, Inc. and Paul S. Rubera, et al.*, No. S-99225(EX).
- f. March 7, 2000, Temporary Cease and Desist Order issued by Rhode Island Department of Business Regulation in *In the Matter of Alpha Telcom, Inc. and ATC, Inc.*
- g. July 18, 2000, Florida Department of Banking and Finance filed administrative action against Alpha and others, seeking a Cease and Desist Order.
- h. October 24, 2000, Desist and Refrain Order issued by California Department of Corporations.

15. Actions taken against Alpha after BOND stopped selling Alpha investment contracts include the following:

- a. July 26, 2001, Cease and Desist Order issued by Ohio Commissioner of Securities;
- b. August 27, 2001, Temporary Restraining Order issued by United States District Court, District of Oregon, in *SEC v. Alpha Telcom, Inc., et al.*, No. CV 01-1283 PA
- c. September 5, 2001, Cease and Desist Order issued by Arkansas Securities Department in *In the Matter of Alpha Telcom, Inc., et al.*, No. 01-36-S.
- d. September 6, 2001, Preliminary Injunction issued by United States District Court, District of Oregon, in *SEC v. Alpha Telcom, Inc., et al.*, No. CV 01-1283 PA.
- e. February 7, 2002, Final Judgment of Permanent Injunction issued by United States District Court, District of Oregon, in *SEC v. Alpha Telcom, Inc., et al.*, No. CV 01-1283 PA.
- f. March 13, 2002, Final Order to Cease and Desist issued by Washington Department of Financial Institutions in *In the Matter of Alpha Telcom, Inc., et al.*, No. SDO-21-02.

The SEC's Complaint in the United States District Court, District of Oregon, alleged that Alpha and its affiliates engaged in a Ponzi-like scheme that never generated enough income to pay expenses, and that the money paid to existing investors always came from sales to new investors. Several days before the Temporary Restraining Order was issued on August 27, 2001, Alpha sought bankruptcy protection in Florida pursuant to chapter 11 of the Bankruptcy Code. A court -

1 appointed receiver subsequently took over the remaining operations of Alpha. Alpha consented  
2 on October 19, 2001 to entry of the Final Judgment of Permanent Injunction against it, but did  
3 not admit the allegations of the Complaint.

4 16. Alpha's monthly payments to investors ceased prior to August, 2001.

## 5 II.

### 6 CONCLUSIONS OF LAW

7 1. The Commission has jurisdiction over this matter pursuant to Article XV of the  
8 Arizona Constitution and the Securities Act.

9 2. BOND offered or sold securities within or from Arizona, within the meaning of  
10 A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

11 3. BOND violated A.R.S. § 44-1841 by offering or selling securities that were neither  
12 registered nor exempt from registration.

13 4. BOND violated A.R.S. § 44-1842 by offering or selling securities while neither  
14 registered as a dealer or salesman nor exempt from registration.

15 5. BOND violated A.R.S. § 44-1991 by (a) employing a device, scheme or artifice to  
16 defraud, (b) making untrue statements or misleading omissions of material facts, and (c) engaging  
17 in transactions, practices or courses of business which operate or would operate as a fraud or  
18 deceit.

19 6. BOND's conduct is grounds for a cease and desist order pursuant to A.R.S.  
20 § 44-2032.

21 7. BOND's conduct is grounds for an order of restitution pursuant to A.R.S. § 44-  
22 2032.

23 8. BOND's conduct is grounds for administrative penalties under A.R.S. § 44-2036.

## 24 III.

### 25 ORDER

26 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and

1 RESPONDENTS' consent to the entry of this Order, the Commission finds that the following  
2 relief is appropriate, in the public interest, and necessary for the protection of investors:

3 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that BOND, and any of BOND'S agents,  
4 employees, successors and assigns, permanently cease and desist from violating the Securities Act.

5 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENTS shall,  
6 jointly and severally, pay restitution to investors shown on the records of the Commission in the  
7 amount of \$64,050.00, plus interest at the rate of 10% per annum from the date of each  
8 investment until paid in full. Payment shall be made by cashier's check or money order payable to  
9 the "State of Arizona" to be placed in an interest-bearing account maintained and controlled by the  
10 Arizona Attorney General, with the initial payment of \$1,000.00 due and payable on the date of  
11 this Order, and \$750.00 per month due and payable on the first day of each month, beginning the  
12 first day of the month following the date of entry of this Order, until the restitution amount is paid  
13 in full. The Arizona Attorney General shall disburse the funds on a pro rata basis to investors.  
14 Any funds that the Attorney General is unable to disburse shall revert to the state of Arizona.

15 If RESPONDENTS do not comply with this order of restitution, any outstanding balance  
16 shall be in default and shall be immediately due and payable.

17 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that RESPONDENTS BOND  
18 and B.B., jointly and severally, shall pay an administrative penalty in the amount of \$10,000.00.  
19 Payment shall be made in full by cashier's check or money order, payable to the "State of  
20 Arizona," in installments of \$750.00 per month, with the initial installment being due on the first  
21 day of the month following the final payment of restitution as herein provided.

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1 If RESPONDENTS BOND and B.B. do not comply with this order for payment of  
2 administrative penalties, any outstanding balance shall be in default and shall be immediately due  
3 and payable.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

6  
7 /s/ Marc Spitzer  
8 CHAIRMAN

William A. Mundell  
COMMISSIONER

Jeffrey Hatch-Miller  
COMMISSIONER

9  
10 Kristin Mayes  
COMMISSIONER COMMISSIONER

11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
12 Executive Secretary of the Arizona Corporation  
13 Commission, have hereunto set my hand and caused the  
14 official seal of the Commission to be affixed at the  
Capitol, in the City of Phoenix, this 21st day of  
April, 2004.

15  
16 /s/ Brian C. McNeil  
17 BRIAN C. McNEIL  
18 Executive Secretary

19 \_\_\_\_\_  
20 DISSENT

21  
22 This document is available in alternative formats by contacting Yvonne McFarlin, Executive  
23 Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail  
[ymcfarlin@cc.state.az.us](mailto:ymcfarlin@cc.state.az.us).

24 KCD  
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**CONSENT TO ENTRY OF ORDER**

1  
2 1. STEVEN C. BOND ("BOND") and CARI A. BOND, individually and as husband  
3 and wife (collectively "INDIVIDUAL RESPONDENTS"), admit the jurisdiction of the  
4 Commission over the subject matter of this proceeding. INDIVIDUAL RESPONDENTS  
5 acknowledge that they have been fully advised of their right to a hearing to present evidence and  
6 call witnesses and they knowingly and voluntarily waive any and all rights to a hearing before the  
7 Commission and all other rights otherwise available under Article 11 of the Securities Act and  
8 Title 14 of the Arizona Administrative Code. INDIVIDUAL RESPONDENTS acknowledge that  
9 this Order To Cease And Desist, Order of Restitution, Order for Administrative Penalties and  
10 Consent to Same by: Steven C. Bond, B.B. Financial Benefits Group, Inc., and Cari A. Bond  
11 ("Order") constitutes a valid final order of the Commission.

12 2. INDIVIDUAL RESPONDENTS knowingly and voluntarily waive any right under  
13 Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or  
14 extraordinary relief resulting from the entry of this Order.

15 3. INDIVIDUAL RESPONDENTS acknowledge and agree that this Order is entered  
16 into freely and voluntarily and that no promise was made or coercion used to induce such entry.

17 4. INDIVIDUAL RESPONDENTS acknowledge that they have been represented by  
18 counsel in this matter, they have reviewed this Order with their attorney and understand all terms it  
19 contains.

20 5. INDIVIDUAL RESPONDENTS neither admit nor deny the Findings of Fact and  
21 Conclusions of Law contained in this Order.

22 6. By consenting to the entry of this Order, INDIVIDUAL RESPONDENTS agree not  
23 to take any action or to make, or permit to be made, any public statement denying, directly or  
24 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that  
25 this Order is without factual basis. INDIVIDUAL RESPONDENTS will undertake steps  
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1 necessary to assure that all of their agents and employees, if any, understand and comply with this  
2 agreement.

3 7. While this Order settles this administrative matter between INDIVIDUAL  
4 RESPONDENTS and the Commission, INDIVIDUAL RESPONDENTS understand that this  
5 Order does not preclude the Commission from instituting other administrative proceedings based  
6 on violations that are not addressed by this Order.

7 8. INDIVIDUAL RESPONDENTS understand that this Order does not preclude the  
8 Commission from referring this matter to any governmental agency for administrative, civil, or  
9 criminal proceedings that may be related to the matters addressed by this Order.

10 9. INDIVIDUAL RESPONDENTS understand that this Order does not preclude any  
11 other agency or officer of the state of Arizona or its subdivisions from instituting administrative,  
12 civil or criminal proceedings that may be related to matters addressed by this Order.

13 10. BOND agrees that he will not apply to the state of Arizona for registration as a  
14 securities dealer or salesperson or for licensure as an investment adviser or investment adviser  
15 representative until such time as all restitution and penalties under this Order are paid in full.

16 11. INDIVIDUAL RESPONDENTS agree that they will not exercise any control over  
17 any entity that offers or sells securities or provides investment advisory services, within or from  
18 Arizona.

19 12. INDIVIDUAL RESPONDENTS agree that until restitution and penalties are paid  
20 in full, they will notify the Director of the Securities Division within 30 days of any change in  
21 home address or any change in their ability to pay amounts due under this Order.

22 13. INDIVIDUAL RESPONDENTS understand that default shall render them liable to  
23 the Commission for its costs of collection and interest at the maximum legal rate.

24 14. BOND agrees that he will continue to cooperate with the Securities Division  
25 including, but not limited to, providing complete and accurate testimony at any hearing in this  
26 matter and cooperating with the state of Arizona in any related investigation or any other matters

arising from the activities described in this Order.

15. INDIVIDUAL RESPONDENTS consent to the entry of this Order and agrees to be fully bound by its terms and conditions. If INDIVIDUAL RESPONDENTS breach any provision of this Order, the Commission may vacate this Order and restore this case to its active docket.

/s/ Steven C. Bond  
STEVEN C. BOND

/s/ Cari A. Bond  
CARI A. BOND

SUBSCRIBED AND SWORN TO BEFORE me this 1<sup>st</sup> day of April, 2004.

/s/ Lorene J. Wren  
NOTARY PUBLIC

My Commission Expires:

8-1-06

## CONSENT TO ENTRY OF ORDER

1. B.B. FINANCIAL BENEFITS GROUP, INC., an Arizona corporation (“B.B.”), by and through its President, STEVEN C. BOND, admits the jurisdiction of the Commission over the subject matter of this proceeding. B.B. acknowledges that it has been fully advised of its right to a hearing to present evidence and call witnesses and it knowingly and voluntarily waives any and all rights to a hearing before the Commission and all other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code. B.B. acknowledges that this Order To Cease And Desist, Order of Restitution, Order for Administrative Penalties and Consent to Same by: Steven C. Bond, B.B. Financial Benefits Group, Inc., and Cari A. Bond (“Order”) constitutes a valid final order of the Commission.

2. B.B. knowingly and voluntarily waives any right under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

3. B.B. acknowledges and agrees that this Order is entered into freely and voluntarily and that no promise was made or coercion used to induce such entry.

4. B.B. acknowledges that it has been represented by counsel in this matter, it has reviewed this Order with its attorney and understand all terms it contains.

5. B.B. neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order.

6. By consenting to the entry of this Order, B.B. agrees not to take any action or to make, or per mit to be made, any public statement denying, directly or indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual basis. B.B. will undertake steps necessary to assure that all of its agents and employees, if any, understand and comply with this agreement.

7. While this Order settles this administrative matter between B.B. and the Commission, B.B. understands that this Order does not preclude the Commission from instituting

1 other administrative proceedings based on violations that are not addressed by this Order.

2 8. B.B. understands that this Order does not preclude the Commission from referring  
3 this matter to any governmental agency for administrative, civil, or criminal proceedings that may  
4 be related to the matters addressed by this Order.

5 9. B.B. understands that this Order does not preclude any other agency or officer of  
6 the state of Arizona or its subdivisions from instituting administrative, civil or criminal  
7 proceedings that may be related to matters addressed by this Order.

8 10. B.B. agrees that it will not apply to the state of Arizona for registration as a  
9 securities dealer or salesman or for licensure as an investment adviser or investment adviser  
10 representative until such time as all restitution and penalties under this Order are paid in full.

11 11. B.B. agrees that it will not exercise any control over any entity that offers or sells  
12 securities or provides investment advisory services, within or from Arizona.

13 12. B.B. agrees that until restitution and penalties are paid in full, it will notify the  
14 Director of the Securities Division within 30 days of any change in address or any change in its  
15 ability to pay amounts due under this Order.

16 13. B.B. understands that default shall render it liable to the Commission for its costs of  
17 collection and interest at the maximum legal rate.

18 14. B.B. agrees that it will continue to cooperate with the Securities Division including,  
19 but not limited to, providing complete and accurate testimony at any hearing in this matter and  
20 cooperating with the state of Arizona in any related investigation or any other matters arising from  
21 the activities described in this Order.

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15. B.B. consents to the entry of this Order and agrees to be fully bound by its terms and conditions. If B.B. breaches any provision of this Order, the Commission may vacate this Order and restore this case to its active docket.

B.B. FINANCIAL SERVICES GROUP, INC., an  
Arizona corporation

By /s/ Steven C. Bond  
Steven C. Bond, Its President

SUBSCRIBED AND SWORN TO BEFORE me this 1st day of April, 2004.

/s/ Lorene J. Wren  
NOTARY PUBLIC

My Commission Expires:

8-1-06

Bond Consent.doc